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Message Text

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44
ACTION EB-11

INFO OCT-01 ARA-16 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

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TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01 DRC-01

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E.O.: 11652: N/A
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SUBJECT: NEW LAW ON ARGENTINE TRADE POLICY

REF BUENOS AIRES 7983

1. THIS NEW LAW TAKES ARGENTINE FURTHER DOWN THE ROAD TOWARDS A CLOSED, STATE-DIRECTED ECONOMY WITH THE ROLE OF MARKET FORCES AND DECISION OF ENTREPRENEURS SEVERLY LIMITED. WE MUST STILL AWAIT THE REGULATIONS WHICH WILL FLESH OUT THE LAW AND ESTABLISH HOW IT IS TO BE ADMINISTERED. HOWEVER, THE PHILOSOPHY OF PROTECHTIONISM AND STATE CONTROL IS FIRMLY EMBEDDED IN THE LAW AND IT IS DOUBTFUL THAT THE REGULATIONS WILL DO MUCH TO SOFTEN THESE ASPECTS. NEVERTHELESS, WELL DRAWN REGULATIONS COULD MINIMIZE RED TAPE AND PRESCRIBE AUTOMATIC TREATMENT FOR LARGE NUMBERS OF CASES.

2. THE LAW CONTAINS PROVISIONS FOR ALMOST THE ENTIRE RANGE OF
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TARIFF AND NON-TARIFF TRADE BARRIERS. IT IS BASEDD ON THE NEW

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GOVERNMENT'S FEELINGS THAT THE MAJOR PROBLEM WITH WHICH IT
MUST DEAL THROUGH THIS AND OTHER LEGISLATION IS EXCESSIVE TECHNICAL
AND ECONOMIC DEPENDENCE OF ARGENTINA ON THE INDUSTRIALIZED
COUNTRIES. WHILE THE LAW STATES THAT ONE OF ITS AIMS IS "SELF-
SUFFICIENCY IN STRATEGIC AND BASIC AREAS" (OF THE ECONOMY)
IN FACT IT APPEARS DESIGNED TO PROMOTE A HIGH DEGREE OF AUTARCHY.
THE LIST OF INDUSTRIES CONSIDERED "STRATEGIC OR BASIC" IS LENGTHY
AND THE TENDENCY IN RECENT YEARS HAS BEEN TO PUT AN INCREASING
NUMBER OF INDUSTRIES AND ACTIVITIES IN THESE CATEGORIES.

3. AMERICAN BUSINESS COMMUNITY REACTION TO THE NEW LAW HAS SO
FAR NOT BEEN GREAT BECAUSE, AS MENTIONED IN REFTEL, LAW CONTAINS
LITTLE THAT IS NEW OR SURPRISING. IT SIMPLY ESTABLISHES AS THE
NATIONAL POLICY OF THE ELECTED GOVERNMENT THE SAME GENERAL POLICY
LINE FOLLOWED BY THE LAST TWO MILITARY ADMINISTRATIONS (LEVINGSTON
AND LANUSSE) SINCE OCTOBER 1970. AT THAT TIME, THE DIRECTION
OF MOTION OF THE ECONOMY WAS REVERSED. PREVIOUSLY, THE ONGANIA
REGIME HAD BEEN MOVING DECIDEDLY IN THE DIRECTION OF AN OPEN
ECONOMY, FEWER GOVERNMENT CONTROLS, LOWER TRADE BARRIERS AND GREATER
RELIANCE ON MARKET FORCES. THE POLICY OF SUBSEQUENT ADMINISTRATIONS,
NOW CRYSTALIZED IN THIS LAW, SEEM TO BE BASED ON THE NOTION THAT
IMPORTS ARE A NECESSARY EVIL TO BE PERMITTED ONLY WHEN ABSOLUTELY
INDISPENSABLE.

4. THE LAW WAS DRAFTED WITH LITTLE OR NO CONCERN FOR PRINCIPLES
OF THE GATT, AND IN FACT AUTHORIZES MEASURES WHICH ARE IN CONFLICT
WITH THOSE PRINCIPLES IN THE BASENCE OF A WAIVER. THE LAW AT LEAST
PROVIDES FOR THE CONTINUED EXISTENCE OF ARGENTINA'S GATT SCHEDULE.
IT ALSO PROVIDES FOR THE PARTICIPATION IN THE FORTHCOMING GATT
NEGOTIATIONS OF A COMMITTEE WHICH WILL INCLUDE REPRESENTATIVES OF
GOVERNMENT, LABOR AND "NATIONALLY-OWNED" INDUSTRY (PARA 5 REFTEL).

5. THIS LAW CLEARLY REGLEGATES FOREIGN OWNED ENTERPRISES TO THE
STATUS OF SECOND CLASS CITIZENS, AND ESTABLISHES SEVERAL WAYS
IN WHICH ARGENTINE-OWNED FIRMS ARE GIVEN ADVANTAGES OVER FOREIGN-
OWNED FIRMS.

6. IT IS UNLIKELY THAT THIS LAW WILL ACCOMPLISH ANY STRENGTHENING
OF THE INDUSTRIAL STRUCTURE OF THE COUNTRY, NOR WILL IT LEAD TO
GREATER EFFICIENCY IN INDUSTRIAL PRODUCTION. ON THE CONTRARY, IT
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CONTAINS MANY FEATURES TENDING TO PROTECT INEFFICIENT ENTERPRISES.
IT SHELTERS AND EVEN PROMOTED MISSALLOCATION OF NATIONAL RESOURCES.
THIS IS, OF COURSE, IN FUNDAMENTAL CONFLICT WITH THE GOVERNMENT'S
EFFORT TO STOP INFLATION AND INCREASE REAL PURCHASING POWER OF
WORKERS.

7. DESPITE THE RESTRICTIONS, ARGENTINA WILL CONTINUE TO IMPORT
AROUND $2 BILLION DOLLARS PER YEAR. HOWEVER, ARGENTINA WILL IN

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THE FUTURE BE A BETTER MARKER FOR LARGE ONE-SHOT SALES OF CAPITAL EQUIPMENT THAN FOR SMALLER CONTINUING FLOWS OF TRADE WHICH ARE SUBJECT TO BEING CUT OFF ABRUPTLY IF THE GOVERNMENT DECIDES THAT THEY ARE NOT INDISPENSABLE OR THAT CERTAIN GOODS ARE BEING OR ABOUT TO BE MANUFACTURED LOCALLY IN SUFFICIENT QUANTITIES TO SUPPLY THE COMESTIC MARKET. DECON 11/19/78.
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